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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002464

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TAGS: [ELAB](#) [ECON](#) [PGOV](#) [ETRD](#) [EAGR](#) [JA](#)
SUBJECT: "LABOR BIG BANG" PROPOSALS ON HOLD

REF: 06 TOKYO 7064

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b/d.

Summary

1. (C) New Council for Economic and Fiscal Policy (CEFP) proposals to reform the labor market are on hold until after July's Upper House elections, and the six labor bills that the cabinet forwarded to the Diet are "so compromised" they will have little effect, CEFP private sector member Naohiro Yashiro told embassy officials. Three of those bills now appear unlikely to be addressed in the current Diet session, which could further delay CEFP plans for labor reform. Notes on Prime Minister Abe and the CEFP are appended. End summary.

"Labor Big Bang" on Hold...

2. (C) Movement toward a productivity-bolstering "labor big bang" (reftel) is on hold until after July's Upper House elections, CEFP private sector member and labor economist Naohiro Yashiro recently told Finatt and Econoff. He explained that any differences between CEFP labor proposals and legislation submitted to the Diet could be used by the opposition to attack the Liberal Democratic Party (LDP), so there is an agreed policy to avoid raising new issues until after those bills have been passed.

3. (SBU) In the run-up to the current Diet session, the Ministry of Health, Labor, and Welfare (MHLW) formulated six labor bills, all of which have been approved by the cabinet. The Diet has passed three of those bills during the current session (concerning revisions to laws governing part-time employment, employment insurance, and regional employment promotion); three other bills remain. They are a new Labor Contracts Law and proposed revisions to the labor standards and minimum wage laws.

4. (C) Measures addressing many of the most difficult (and consequential) labor issues, however, were removed from the labor bills as they were being finalized, often due to political concerns. For example, according to an LDP contact, the "white-collar exemption" to foster more emphasis

on individual productivity -- rather than on seniority and the number of hours worked -- was removed from the Labor Standards Law after LDP Secretary General Hidenao Nakagawa objected. Nakagawa noted that the opposition had effectively branded the exemption as the "no overtime pay" bill, and, because it would be perceived as a pay cut, he argued that it would be foolish to pass such legislation immediately before an election.

¶5. (C) Asked about the quality of the bills, Yashiro lamented that the political opposition had effectively adopted former Prime Minister Koizumi's "one-phrase politics" and stated the six bills were "so compromised" that they would have little effect. He suggested that it would be better to change the laws, but he could not assess whether changes would be politically feasible.

...With Plans to Resume After Election

¶6. (C) Looking forward, Yashiro stated that the CEFP was planning to put out its next set of labor recommendations right after the elections, and that he expected a more intense period of reform for the next two years. The first labor-related report would likely focus on re-introducing the "white-collar exemption" and floating measures to address foreign workers in Japan. Yashiro noted that the public had not understood the intent of the "white-collar exemption" and that its re-introduction might be paired with additional social safety net measures, as well as an explanation of how greater focus on productivity could lead to a reduction in work hours and better "work-life balance." To that end, Yashiro said he planned a public debate with President Takagi of the Japan Trade Union Federation.

TOKYO 00002464 002 OF 002

¶7. (C) Yashiro acknowledged, however, that the labor bills might not be considered in the current Diet session. If that happened, he surmised that the CEFP would further postpone comment and proposals on labor reform.

Comment

¶8. (C) It now seems unlikely that the Diet will consider the remaining three labor bills during the current session, which would delay, it seems, the CEFP's more ambitious proposals. The remaining bills had been slated for consideration in the last week of this session, and wrangling over a response to recent revelations that the Social Insurance Agency lost or garbled 50 million payment records, as well as disruption from Agricultural Minister Matsuoka's apparent suicide, will likely push the bills' consideration into a special session this fall. End comment.

Notes on PM Abe and the CEFP

¶9. (C) Yashiro stated that "so far" Prime Minister Abe is supporting the CEFP, within which he described Minister Ota and Chief Cabinet Secretary Shiozaki as the key drivers. He added, however, that opponents to the CEFP's reform agenda have actively tried to penetrate the decision-making process by directly handing briefing papers to the prime minister without CEFP vetting or discussion. On other CEFP matters, Yashiro stated that while PM Abe had "his own style" and was not as dynamic as former PM Koizumi, he was well-briefed and keen about free trade discussions with Australia, which Yashiro described as a device to reform Japan's agricultural sector. Senior Ministry of Economy, Trade, and Industry officials have told us the same, that the prime minister deliberately made the decision to enter free trade agreement negotiations with Australia with a level of ambition on agriculture that was a great deal higher than expected.

SCHIEFFER